

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 SS-20

NSC-10 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 DRC-01

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R 251837Z JAN 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6340

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDO

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD

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E.O. 11652: N/A

TAGS: EGEN, EEC

SUBJECT: EC REGIONAL RUND-GERMAN PROPOSAL

REF: (A) BONN 2171 (B) BRUSSELS 123

1. SUMMARY: ON JANUARY 24 THE EC PERMREPS DISCUSSED THE NEW
GERMAN PROPOSAL FOR AN EC REGIONAL DEVELOPMENT FUND OF 1.4 BILLION
UNITS OF ACCOUNT. FRANCE REJECTED THE PROPOSAL, WHICH WOULD MAKE
FRANCE A HEAVY NET CONTRIBUTOR. THE OTHER DELEGATIONS WERE NON-
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COMMITTAL ALTHOUGH A CONTACT AT THE DUTCH DELEGATION READ THE
BRITISH REACTION AS A SHIFT IN POSITION AWAY FROM THE FRENCH AND

TOWARD THE GERMANS. HE THOUGHT THAT FRANCE MIGHT BE ISOLATED AT THE EC COUNCIL MEETING ON JANUARY 30. END SUMMARY.

2. THE PERMANENT REPRESENTATIVES OF THE MEMBER STATES MET ON JANUARY 24 TO DISCUSS THE EC REGIONAL DEVELOPMENT FUND. ON THE TABLE WAS THE NEW GERMAN PROPOSAL CALLING FOR A FUND OF 1.25 BILLION UNITS OF ACCOUNT FOR THREE YEARS, TO WHICH WOULD BE ADDED 150 MISSION UNITS OF ACCOUNT FROM THE AGRICULTURAL FUND (FEOGA) (SEE REFTEL A). A BRITISH PERMREP CONTACT TOLD US THAT ONLY FOUR DELEGATIONS SPOKE UP AND THAT NO AGREEMENT WAS REACHED AT THE MEETING. THE BRITISH ARE STUDYING THE GERMAN PROPOSAL. THE FRENCH REJECTED IT BECAUSE IT WOULD MAKE FRANCE A HEAVY NET CONTRIBUTOR. A COMMISSION OFFICIAL, WITH WHOM WE SPOKE, CONSIDERED THE GERMAN OFFER ENCOURAGING AND SAID THAT IT BROUGHT THE COUNTRIES BACK INTO NEGOTIATIONS, NOTING THAT THE SITUATION SEEMED DIFFERENT FROM A FEW DAYS AGO WHEN IT APPEARED THAT A SOLUTION TO THE REGIONAL FUND PROBLEM MIGHT HAVE TO BE PUT OFF FOR SEVERAL MONTHS.

3. UNDER THE GERMAN PROPOSAL-- WHICH LIMITS AID TO THE REGIONS WITH A PER CAPITA PRODUCT MORE THAN 10 PCT BELOW THE COMMUNITY AVERAGE--THE UK, ITALY, IRELAND AND DENMARK WOULD RECEIVE A THREE-YEAR TOTAL OF ABOUT 730 MILLION UNITS OF ACCOUNT. THIS IS APPROXIMATELY WHAT THEY WOULD HAVE RECEIVED UNDER THE COMMISSION PROPOSAL FOR A FUND OF 2.25 BILLION UNITS OF ACCOUNT. THE GERMAN PROPOSAL CALLS FOR GERMANY TO MAKE A THREE-YEAR NET CONTRIBUTION OF ABOUT 300 MILLION U.A., AND BELGIUM 70 MILLION U.A. (WE HAVE BEEN TOLD BY A COMMISSION OFFICIAL THAT FRANCE HAS MADE OFFERS OF A NET CONTRIBUTION OF 80-90 MILLION U.A. BUT HAS BALKED AT GOING ANY FURTHER.)

4. A CONTACT AT THE DUTCH DELEGATION PROVIDED ADDITIONAL INFORMATION AND OBSERVATIONS. ACCORDING TO THIS SOURCE THE GERMAN PROPOSAL ALSO STATES THAT THE FUNCTIONING OF THE FUND FOR 1977 (AFTER THE FIRST THREE YEARS) WOULD BE RE-EXAMINED IN THE LIGHT OF PROGRESS IN ECONOMIC AND MONETARY UNION AND IN THE LIGHT OF EUROPEAN UNION. HE SAID THE FRENCH PERMREP REJECTED THE GERMAN PROPOSAL IN RATHER STRONG LANGUAGE AS BEING TOTALLY UN-ACCEPTABLE. THE BRITISH PERMREP, ON THE OTHER HADN, WELCOMED THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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GERMAN PROPOSAL ACCORDING TO THE DUTCH SOURCE, AND CALLED IT A CONSIDERABLE STEP FORWARD AND HELPFUL TO A SOLUTION OF THE PROBLEM. HOW- EVER LONDON WOULD HAVE TO STUDY IT. THE DUTCH INTERPRET THIS AS A MAJ OR SHIFT IN THE BRITISH POSITION, AS THE BRITISH HAD PREVIOUSLY BEEN IN LINE WITH THE FRENCH AT EARLIER COUNCIL MEETINGS. THE DUTCH THINK THAT THE BRITISH ARE AFRAID THAT THE GERMANS WILL EITHER (A) WITHDRAW THEIR PROPOSAL OR (B) TIE ANY INCREASE IN THEIR CONTRIBUTION TO FORWARD MOVEMENT IN ECONOMIC AND MONETARY UNION.

ACCORDING TO THIS SOURCE THE ITALIANS WOULD PROBABLY GO ALONG WITH THE GERMANS AS WOULD THE DUTCH. HIS CONCLUSION WAS THAT THE FRENCH WOULD BE VERY ISOLATED ON THIS ISSUE AT THE JANUARY 30 COUNCIL MEETING.

HE SAID THAT SEVERAL DELEGATIONS HAVE POINTED OUT HOW IMPORTANT IT IS TO THE COMMUNITY TO REACH A SOLUTION TO THE REGIONAL FUND PROBLEM AT A TIME WHEN OTHER COMMUNITY ISSUES ARE GOING VERY BADLY. GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING DELEGATIONS, FUND ACCOUNTING, FINANCIAL CONTRIBUTIONS, DEVELOPMENT FINANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU00517
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740116/aaaaaost.tel
Line Count: 123
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) BONN 2171 (B) BRUSSELS 123
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by kellew0>; APPROVED <29 MAY 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC REGIONAL RUND-GERMAN PROPOSAL
TAGS: EGEN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005